Appendix 3
Funding Programs

State Legislation and Funding Sources

A. The Virginia Transportation Act of 2000 (VTA)

The Virginia Transportation Act of 2000 (VTA) increased transportation funding levels by $3 billion for the following six years for a total budget of more than $10 billion. Under this Act, a State Priority Transportation Fund was created and will be funded by permanent commitments of General Fund revenues. New funding sources include $545.8 million in general funds to selected projects across all modes of transportation; $416 million collected from the existing tax on insurance premiums; and $1.1 billion from Federal Highway Reimbursement Anticipation Notes (FRANs). FRANs, also known as Federal Grant Anticipation Revenue Vehicle (GARVEE Bonds) allow the state to sell bonds guaranteed by federal dollars to be received in the future. States issue bonds to finance federal-aid projects using federal funds to pay a portion of the principal, interest, and related bond issuance costs.

The VTA has three objectives:

a. Fix the current (FY 2000) Six-Year Primary Improvement Plan by providing a general fund cash infusion to the Transportation Trust Fund;

b. Accelerate identified high-priority projects beyond the FY 2000 Six-Year Plan; and

c. Promote multi-modal alternatives to highway construction, whenever possible.

The 2000 General Assembly approved additional funding for the following projects in Loudoun County: $14.5 million for Route 28/625 interchange; $14 million for the Route 28/606 interchange; state funding for the 1999 Northern Virginia Transportation Bonds which include $10.1 million for Route 15, north of Leesburg; and, $75 million for the Dulles Corridor (bus and rail). In an unprecedented move, the General Assembly did not pass a budget during its 2001 session, creating some uncertainty regarding transportation financing for Fiscal Year 2002.

Discussions of the immediate and long-term impacts of the VTA of 2000 and its implementation program, the Virginia Transportation Development Plan (VTDP) between the Gilmore Administration and the General Assembly are ongoing. Staff to the General Assembly maintains that VDOT is underestimating project costs and overestimating future revenues for the next six years. In addition, highway maintenance costs beyond the current biennium (beyond 2002) are assumed by VDOT to be flat.

B. Virginia Transportation Development Plan

Virginia Transportation Development Plan, formerly known as the Six-Year Highway Improvement Program, is a comprehensive listing of transportation projects scheduled for construction, improvement or study over six fiscal years and anticipated allocations. The plan is updated each year by the Commonwealth Transportation Board (CTB), based on requests received from local jurisdictions through a public-hearing process and on inputs from local VDOT staff. The plan divides projects into two distinct phases, the Feasibility Phase and the Six-Year Capital Improvement Program Phase. Projects in the Feasibility Phase are those under study, such as a federally mandated environmental assessment, feasibility study, or a location study. The Six-Year Capital Improvement Program Phase includes projects that have met the regulatory and public participation requirements, and includes final design, right-of-way acquisition, and construction.

The program is a regular source of funds that can help accomplish small to medium-size primary road improvement projects. Over time, Loudoun County has become more successful in achieving CTB approval to get requested projects in the program. Such funds have been used to improve Route 7, the Leesburg Bypass, and the Route 28/625 interchange. The program is highly competitive. Loudoun County must compete with the more populous Northern Virginia jurisdictions. It is difficult to place new major primary road projects on the program and once projects are on the list the wait is long before advancing to construction. The VTA sets statewide priorities, requiring VDOT and DRPT to address designated projects.

C. The Secondary Road Improvement Program (SRIP)

The Secondary Road Improvement Program (SRIP): is updated every year by the County in cooperation with VDOT. It provides state and federal STP funds for the construction of secondary road improvements. The funds are distributed to counties through a series of formulas. Secondary road funds are 30 percent of the state's construction funds available each year. Each county receives its share of secondary road funds determined by a formula based on 80 percent for population and 20 percent for land areas. Unpaved road funds are allocated to the County based on its share of the total unpaved miles eligible for funding in the state. Program funds projected for Loudoun County by VDOT in 2000-05 are about $40 million. The County's funding level from this program has tended to remain stable from year to year. With the Virginia Transportation Act of 2000, the increase in secondary road funds may be curtailed.

This funding source works well for small, non-controversial projects. It provides excellent opportunities for public input. Many of the SRIP projects originate through requests from the public. The County has been able to combine Local Gasoline Tax, Revenue Sharing Program funding and private-sector dollars with SRIP funds to accelerate construction schedules for key projects. However, without additional revenues, secondary road construction funds are likely to decrease over time due to statewide priorities. VDOT's process for preparing construction plans tends to be cumbersome and slow. For costly projects, a project can be on the SRIP for a number of years before adequate funds are allocated. SRIP have total costs that far exceed the resources available within a six-year period. In reality, it operates like a 10-to-20-year program.

D. State Revenue-Sharing Program

VDOT has a supplemental allocation process in June of each fiscal year, when unallocated revenue-sharing funds are made available to the counties. The County submits projects to the state, some of which may be accepted for full or partial funding. Currently, the County relies heavily on Local Gasoline Tax funds collected and dispersed through the Northern Virginia Transportation Commission (NVTC) for the revenue-sharing match.

Revenue sharing allows the County to fund important projects that are not otherwise fundable. It allows the County to leverage its Local Gasoline Tax dollars by matching one Local Gasoline Tax dollar for one revenue-sharing dollar thereby doubling available resources for participating projects. This is the County's most flexible public funding source, since it may be used in conjunction with the Primary or Secondary Road Improvement Programs or proffer funds. However, revenue sharing is a modest funding source limited to $500,000 per year, plus any supplemental reallocation funds. Future gas tax allocations are dedicated to transit. Consequently, the County has created a transportation fund to supplant gasoline tax revenues.

E. State Recreational Access Funds

The purpose of the Recreational Access Funding Program is to provide adequate access to, or within, publicly developed recreational areas or historic sites operated by the state or local jurisdictions. Access may consist of a roadway or bikeway, to or within, the facility. Application for program funding is made to VDOT by resolution of the local jurisdiction, with funding allocation by the Commonwealth Transportation Board. Upon completion of construction, recreational access roads are taken into the state public road system for maintenance. Use of access funds does not count against the County's yearly Secondary Road Improvement Program allocation.

F. State Industrial Access Funds

The purpose of the Industrial Access Funding Program is to promote economic development by providing public road access to industrial sites by building a public road to the site. In certain cases improvements to existing public roads may be considered. Industries seeking such assistance must work closely with the local jurisdiction. The jurisdiction must support the VDOT submission. Funds may not be used for access to residential, institutional, or retail land uses.

Local Funding Sources

A. Local Gasoline Tax

The County began to receive Local Gasoline Tax revenues in January 1989 with the formation of the Loudoun County Transportation District Commission (LCTDC). In January 1990, the LCTDC was dissolved, and Loudoun County became a member of the Northern Virginia Transportation Commission (NVTC). Local Gasoline Tax revenues are received by the Commonwealth and held in trust by NVTC for Loudoun County. Expenditure of Loudoun County's Local Gasoline Tax revenue is regulated by the Interim Transportation Plan (ITP) adopted by the former LCTDC on September 11, 1989, which organizes projects by category. Unlike other localities, Loudoun County can spend Local Gasoline Tax revenues for road improvements as well as transit. Others use the money solely for transit-related costs. Currently, the County spends about 20 percent of the approximately $2 million generated each year on transit-related projects. It is anticipated that once the Dulles Corridor Rapid Transit project is complete 100 percent of the funds will be directed to transit operating expenses.

Application for Local Gasoline Tax funds has been extremely flexible. Funds have been used to obtain state Revenue Sharing Program funds, to leverage private contributions for road construction, to supplement primary and secondary road improvement projects, like traffic signals, to overcome delays, and for a variety of locally oriented transportation projects that have no other funding source. However, the tax produces only a modest amount of funds per year ($2.5 million), and the competition for Local Gasoline Tax allocations is growing. The current allocation of 80 percent of the funds for capital projects may need revision as public requests for transit service increase, and bus service is expanded with the Dulles North Transit Center opening in Fall 2001.

B. Business Professional and Occupancy License Revenue

Business Professional and Occupancy License (BPOL) Revenue is generated through a license tax on businesses, professions, trades, and occupations based on their gross receipts. Loudoun County will fund its share of the Dulles Corridor Rapid Transit Project's capital needs with bonds serviced by a percentage of dedicated BPOL revenue.

C. The Public-Private Transportation Act of 1995 (PPTA)

The Public-Private Transportation Act of 1995 (PPTA) is the legislative framework enabling the Commonwealth of Virginia, qualifying local governments and certain other political entities to enter into agreements authorizing private entities to acquire, construct, improve, maintain, and/or operate qualifying transportation facilities. Loudoun County, in coordination with the Commonwealth Transportation Board (CTB), accepted a proposal filed under the PPTA that will fund the widening of Route 28 as a limited-access highway, its five interchanges, and parallel roads. Planned transportation projects beyond those currently constructed in the Route 28 corridors will be evaluated to assess whether application of the PPTA is appropriate.

Federal Funding Sources

A. Regional Surface Transportation Program Funds

The Federal Transportation Equity Act for the 21st Century (TEA-21) establishes several categories of STP funding. Thirty percent of these funds flow through the state formulas for primary, secondary, and urban road programs. STP funds are distributed through a regional allocation process. This process includes initial allocation of funds to projects through the TCC with final endorsement by the National Capital Region Transportation Planning Board (TPB).

The application of Regional STP funds is extremely flexible. Funds may go to primary or secondary road projects, projects in the Town of Leesburg, and transit projects. Funds may be used to accelerate projects that have difficulty in advancing through other funding programs. The state may pay the required 20 percent local match of federal funds. STP funds may only be applied to projects that are ready to be engineered or constructed. The process to obtain funding is both competitive and complex. Projects must be recommended by the Technical Committee of the TCC, endorsed by the TCC Policy Committee, and included in the Constrained Long-Range Plan (CLRP) and Transportation Improvement Program (TIP) by the TPB.

B. STP Enhancement Program

Ten percent of the state's yearly STP funding allocation is set aside for enhancement projects. These projects help improve quality of life by providing environmental amenities to the transportation system. The list of activities eligible for transportation enhancement funding includes pedestrian and bicycle facilities, pedestrian and bicycle safety education, transportation museums, and projects to reduce vehicle-induced wildlife mortality. Jurisdictions and private groups are eligible to apply to the state for enhancement funding through a competitive grant application process.

C. STP Safety Program

Ten percent of the state's yearly STP funding allocation is set aside for highway safety projects. Loudoun has difficulty competing for these funds due to more accidents in other counties and lack of good accident data. Project funding is on a competitive basis with VDOT making the final selections.

D. Congestion Mitigation and Air Quality Improvement Program

The CMAQ Program is another TEA-21 funding category. In order to receive CMAQ funding, a project must demonstrate a positive impact on reducing vehicle emissions and improving air quality. Most past and proposed CMAQ projects are transit or ridesharing oriented; however, Loudoun County does take advantage of VDOT's Coordinated Traffic Signal Program that is aimed at reducing stops and starts during peak traffic periods.

The Washington Metropolitan Area Transit Authority (WMATA), the Virginia Railway Express, and the Potomac and Rappahannock Transportation Commission (PRTC) currently uses all of Northern Virginia's federal formula transit funds. However, CMAQ funds may be used for local transit projects such as transit service start-up costs, the purchase of vehicles, or bus shelters. CMAQ funds for traffic-signal coordination or ridesharing programs require no local match. However, CMAQ transit project funds require a 20-percent local match that the state currently does not pay. CMAQ projects are selected through the same competitive and complex process as Regional STP projects, involving approval of both the TCC and TPB. At the present time, the selection process is dominated by jurisdictions belonging to WMATA. Virginia Rail Express (VRE) also is well represented in the selection process. This results in a large portion of CMAQ funds going to WMATA and VRE projects, making it difficult for local projects to compete.

Private Sector Contributions

A. Special Tax Districts

Route 28 was improved to a six-lane divided road through the use of a transportation service district authorized by State Code. A District may be created only by a resolution of the Board of Supervisors upon the petition of the owners of land representing at least 51 percent of either the assessed value of land or actual land area within the proposed district that is zoned for commercial or industrial use or is used for such purposes. The Route 28 Highway Transportation Improvement District (HTID) was established by resolutions of the Loudoun and Fairfax County Boards of Supervisors in 1987.

The Route 28 HTID demonstrates that a public-private partnership can construct a major road improvement using this funding technique. The Route 28 improvements were constructed in a short time frame. The District approach allows a major road improvement to be built before development occurs, avoiding congestion and maintaining good levels of service in the corridor.

The Route 28 HTID faced a major financial challenge during the recession of the early '90s. Declining property values generated less than the expected revenues to cover debt service. However, recent economic development in the corridor has increased revenues to cover the debt service payment. By 2003, the District will have the option of using excess revenues to build Route 28 interchanges or to consider lowering the 20-cent tax rate.

The use of tax districts for future road improvements in other corridors is limited. This technique is only feasible in corridors with substantial commercial and industrial growth. It would not be viable in residentially oriented corridors such as Route 9.

B. Private-Sector Toll Road Construction

The 14-mile extension of the Dulles Greenway constructed by the Toll Road Corporation of Virginia, a private corporation, opened to traffic in September 1995. All of the financing for the project was secured by the private sector. The rights-of-way were obtained through private-sector negotiations and transactions or private-sector proffers from land-development applications. At some point in the future, the Greenway will become a state-maintained road. Once the financing and permits were obtained for this project and construction commenced, construction proceeded very rapidly under private-sector management. Obtaining private-sector financing for a project of this magnitude was difficult. The future financial health of such a venture must be considered.

C. Bond Financing for Transportation Projects

Many of Loudoun's transportation projects have been financed by the sale of state bonds through the Northern Virginia Transportation Bond Act. Such improvements include the widening of Route 7 to six lanes between Route 28 and the Route 15 Bypass; the construction of the three-level interchange at Route 7 and the Route 15 Bypass in Leesburg; Route 15 safety improvements north of Leesburg; and the new interchange at Routes 28 and 625. These bonds have been financed from different sources, such as recordation taxes, public right-of-way use fee (as of July 2001, telephone companies will assess a fee of 63 cents per month per telephone line), and the state's general funds.

D. Impact Fees

An impact fee is an assessment or payable amount imposed on new development in order to generate revenue to fund or to recover reasonable costs of public facility improvements, the need for which are generated by new development. Section 15.2-2317 -2327 of the Code of Virginia authorizes counties to enact an impact fee program for roads. The fee must be based on a formula for road improvements with a specified service area or "traffic shed". Road impact fees have not been used, in part, because transportation proffers through the rezoning process have been used successfully to construct significant road improvements. A deterrent to using the impact fee enabling law is a prohibition in the law from assessing an impact fee on any development that is covered by proffered conditions for any off-site road improvements. Extensive use of proffers in Loudoun has made it difficult to use impact fees.

A local jurisdiction can require impact fees from ministerial land-development actions, including subdivisions. However, impact fees may not be used in conjunction with the proffer system in the same area of a locality. It is difficult and costly to develop and maintain the program. Since the VTDP and Secondary Road Improvement Programs would likely finance the public sector need to address existing congestion, impact fees could dictate which projects should be on the programs. Impact fee legislation allows for fee refunds but not reassessments to make up for construction shortages, which are often experienced with current road improvement projects. The legislation requires substantial survey and engineering data in each service area plan. Impact fees do not discriminate between developments, even though some sites are better suited to development than others. The legislation includes a provision for bonding as a funding technique, but impact fees may not produce a dependable income stream for repayment.